

CITY OF EMMETT, KANSAS
FINANCIAL STATEMENT
WITH INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2010

CITY OF EMMETT, KANSAS

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Certified Public Accountants

Pottberg, Gassman & Hoffman, Chtd.

816 N Washington
Junction City, KS 66441
(785) 238-5166
Fax (785) 238-6830

529 Humboldt, Suite 1
Manhattan, KS 66502
(785) 537-9700
Fax (785) 537-3734

505 NW 3rd, Suite 1
Abilene, KS 67410
(785) 263-2171
Fax (785) 263-3340

www.pgh-cpa.com

INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Emmett
Emmett, Kansas

Report on the Financial Statement

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Emmett, Kansas, a Municipality (City), as of and for the year ended December 31, 2010 and the related notes to the financial statement, which collectively comprise the City's basic financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Kansas Municipal Audit and Accounting Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the City to meet the requirements of the State of Kansas on the basis of the financial

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reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2010, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City as of December 31, 2010, and aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual or actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The accompanying schedule of expenditures of federal awards (see Single Audit Section in the table of contents) is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the financial statement.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole, on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2015, on our consideration of the City of Emmett, Kansas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Emmett, Kansas' internal control over financial reporting and compliance.

Pottberg, Gassman & Hoffman, Chartered

Pottberg, Gassman & Hoffman, Chartered
August 11, 2015

CITY OF EMMETT, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH REGULATORY BASIS FOR THE YEAR ENDED DECEMBER 31, 2010

Fund	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	\$ 18,368	-	77,870	97,070	(832)	15,307	14,475
Special Purpose Funds:							
Special Highway	15,023	-	7,118	9,505	12,636	-	12,636
Park and Recreation	3,595	-	2,165	3,528	2,232	-	2,232
Capital Projects Funds:							
Sewer Project	372,554	-	1,000,938	1,271,255	102,237	91,804	194,041
Business Funds:							
Water Utility	2,795	-	40,224	21,134	21,885	-	21,885
Sewer Utility	26,196	-	15,963	9,602	32,557	-	32,557
Total Reporting Entity	\$ 438,531	-	1,144,278	1,412,094	170,715	107,111	277,826
Composition of Cash:				Checking Account			\$ 83,785
				Grant Account			522
				Sewer Project			193,519
				CDBG Cash			-
				Total Cash			277,826
				Total Reporting Entity			\$ 277,826

The notes to the financial statement are an integral part of this statement.

CITY OF EMMETT, KANSAS
NOTES TO THE FINANCIAL STATEMENT
DECEMBER, 31 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Municipality

The City of Emmett, Kansas is a municipal corporation governed by an elected five-member Council-Mayor form of government. The regulatory financial statement presents the City of Emmett, Kansas (the Municipality).

B. Regulatory Basis Fund Types

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific regulations, restrictions, or limitations. Certain funds contain restricted cash because their use is limited by debt covenants, statutory requirements, grant requirements or are held in a fiduciary or agency capacity.

The following types of funds comprise the financial activities of the City for the year of 2010:

General Fund –is the chief operating fund of the City. This Fund is used to account for all resources except those required to be accounted for in another fund.

Special Purpose Funds –are used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Capital Project Funds –are used to account for debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business Funds – funds financed in whole or in part by fees charged to users of the goods or services (i.e., enterprise and internal service fund, etc.).

C. Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United State of America

The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

CITY OF EMMETT, KANSAS
NOTES TO THE FINANCIAL STATEMENT
DECEMBER, 31 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

- Preparation of the budget for the succeeding calendar year on or before August 1st.
- Publication in the local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such amendments this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which, regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds and trust funds.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by use of internal spending limits established by the governing body.

2. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

CITY OF EMMETT, KANSAS
NOTES TO THE FINANCIAL STATEMENT
DECEMBER, 31 2010

2. DEPOSITS AND INVESTMENTS, (continued)

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices. The City had no such investments in 2010.

Concentration of credit risk. State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated 'peak periods' when required coverage is 50%. The City has no designated 'peak periods.' All deposits were legally secured at December 31, 2010.

At December 31, 2010 the carrying amount of the City's deposits, including certificates of deposit, was \$277,826 and the bank balance was \$278,010. Of the bank balance, \$250,000 was covered by federal depository insurance and \$28,010 was collateralized with securities held by the pledging financial institution's agents in the City's name. The bank balance was held in one bank and the balance in excess of FDIC limits was more than 5% of total bank balances which results in a concentration of credit risk per GASBS 40, paragraph 11.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

References made herein to the Kansas Statutes are not intended as interpretations of the law, but are offered for consideration by the City Council and City Attorney.

K.S.A. 79-2935 provides that it shall be unlawful for the governing body to create indebtedness in any fund in excess of the adopted budget of expenditures of such fund. For the year ended December 31, 2010, the Special Park and Recreation fund was in violation of this statute.

K.S.A. 10-1113 provides expenditures to be made in accordance with the cash basis law which requires that no indebtedness be created for a fund in excess of available monies in that fund. For the year ended December 31, 2010, the General Fund was in violation of this statute.

4. CAPITAL PROJECTS

At year-end, capital project authorizations with approved change orders compared with expenditures from inception are as follows:

	<u>Project Authorization</u>	<u>Expenditures to Date</u>
Sewer Project	\$ 1,113,000	\$817,440

5. COMMITMENTS AND CONTINGENCIES

Risk Management

The City of Emmett, Kansas is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To insure against risk of these types of losses, the City has purchased commercial insurance coverage. Settled claims resulting from these risks have not exceeded commercial coverage in the past three fiscal years.

CITY OF EMMETT, KANSAS
NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2010

6. LONG TERM DEBT

In November 2010, the City of Emmett, Kansas authorized the issuance of \$613,000 of Series 2010 General Obligation Refunding and Improvement bonds. The funds were used to refund the 2009 Temporary Note of \$400,000 from St. Mary's State Bank and to complete improvements to the City's sewer system.

Changes in long-term liabilities for the City of Emmett, Kansas, for the year ended December 31, 2010, were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Net Change</u>	<u>Balance End of Year</u>	<u>2010 Interest Paid</u>
General Obligation Bonds:										
USDA Rural Development Loan (2010 General Obligation Bonds)	2.25%	11/30/2010	613,000	11/30/2050	\$ -	\$ 613,000	\$ -	\$ 613,000	\$ 613,000	\$ -
Temporary Notes:										
St. Mary's Bank	3.90%	06/25/09	400,000	12/01/10	400,000	-	400,000	(400,000)	-	22,396
Total Contractual Indebtedness					\$ 400,000	\$ 613,000	\$ 400,000	\$ 213,000	\$ 613,000	\$ 22,396

CITY OF EMMETT, KANSAS
NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2010

6. LONG TERM DEBT (CONTINUED)

Current maturities of long-term debt and interest through maturity are as follows:

	Year													
	2011	2012	2013	2014	2015	2016-2020	2021-2025	2026-2030	2031-2035	2036-2040	2041-2045	2046-2050	Total	
Principal														
General Obligation Bonds:														
USDA Rural Development Loan														
(2010 General Obligation Bonds)	\$ 9 610	\$ 9 789	\$ 10 047	\$ 10 273	\$ 10 504	\$ 56 103	\$ 62 745	\$ 70 132	\$ 78 388	\$ 87 602	\$ 97 935	\$ 109 872	\$ 613 000	
Total Principal	9 610	9 789	10 047	10 273	10 504	56 103	62 745	70 132	78 388	87 602	97 935	109 872	613 000	
Interest														
General Obligation Bonds:														
USDA Rural Development Loan														
(2010 General Obligation Bonds)	13 793	13 576	13 356	13 130	12 899	60 844	54 240	46 856	38 604	29 379	19 069	7 544	323 290	
Total Interest	13 793	13 576	13 356	13 130	12 899	60 844	54 240	46 856	38 604	29 379	19 069	7 544	323 290	
Total Principal and Interest Payments	\$ 23 403	\$ 23 365	\$ 23 403	\$ 23 403	\$ 23 403	\$ 116 947	\$ 116 985	\$ 116 988	\$ 116 992	\$ 116 981	\$ 117 004	\$ 117 416	\$ 936 290	

CITY OF EMMETT, KANSAS
NOTES TO THE FINANCIAL STATEMENT
DECEMBER, 31 2010

7. LITIGATION

The City knows of no actual or possible litigation, claims, or assessments whose effects should be considered in the preparation of the financial statement as of December 31, 2010.

8. COMPENSATED ABSENCES

The City does not have a formal policy regarding vacation and leave and thus, there is not a dollar amount of accrued vacation or sick leave at December 31, 2010.

9. RELATED PARTIES

Members of the governing body and City employees are utility customers of the City. Other than payment for water and approved salaries and wages, no material transactions occurred in 2010 between the City and the governing body or employees.

10. SUBSEQUENT EVENTS

The City has not complied in succeeding years with annual reporting requirements set forth by the United States Department of Agriculture (USDA), Rural Utilities Service Staff Instruction 1780-4. In addition, the City has not complied in succeeding years with the United States Department of Agriculture (USDA), Rural Utilities Service Staff Instruction 1780-4 and state of Kansas statutes which require records be maintained for a period of 3 years after the issuance date of the audit report or management report.

The City's management has evaluated subsequent events through August 11, 2015, the date the financial statement was available to be issued.

**REGULATORY REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF EMMETT, KANSAS
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Fund</u>	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
General Fund	\$ 115,490	-	115,490	97,070	(18,420)
Special Purpose Funds:					
Special Highway	11,464	-	11,464	9,505	(1,959)
Park and Recreation	130	-	130	3,528	3,398
Business Funds:					
Water Utility	64,500	-	64,500	21,134	(43,366)
Sewer Utility	27,180	-	27,180	9,602	(17,578)

CITY OF EMMETT, KANSAS

GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>GENERAL FUND</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance - Over (Under)</u>
Receipts:			
Taxes and Shared Revenue			
Ad Valorem Property Tax	\$ 20,331	21,813	(1,482)
Delinquent Tax	1,552	-	1,552
Motor Vehicle Tax	4,430	4,408	22
Recreational Vehicle	95	231	(136)
16/20M Tax	20	9	11
Intergovernmental Revenue			
Local Sales Tax	32,159	38,000	(5,841)
Liquor Control Tax	917	40	877
Franchise Tax	5,177	6,000	(823)
Licenses and Fees			
Trash Service	8,964	13,500	(4,536)
Licenses	-	100	(100)
Use of Money and Property			
Rent	100	100	-
Interest Income	157	200	(43)
Other Receipts			
Miscellaneous	3,968	1,500	2,468
Total Receipts	<u>77,870</u>	<u>85,901</u>	<u>(8,031)</u>
Expenditures:			
Salaries and Benefits	30,648	41,000	(10,352)
Payroll Taxes	3,656	4,560	(904)
Contract Services - Trash	8,895	13,500	(4,605)
Utilities	15,005	11,975	3,030
Professional Services	8,015	17,000	(8,985)
Insurance	17,599	6,000	11,599
Repairs and Maintenance	7,456	9,955	(2,499)
Fuel	1,436	-	1,436
Office Expenses	1,915	2,000	(85)
Parts and Supplies	2,398	-	2,398
Street Materials	-	9,000	(9,000)
Miscellaneous	47	500	(453)
Total Expenditures	<u>97,070</u>	<u>115,490</u>	<u>(18,420)</u>
Receipts Over (Under) Expenditures	(19,200)		
Unencumbered Cash, January 1	18,368		
Unencumbered Cash, December 31	<u>\$ (832)</u>		

CITY OF EMMETT, KANSAS

SPECIAL PURPOSE FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Actual</u>	<u>Budget</u>	<u>Variance - Over (Under)</u>
<u>SPECIAL HIGHWAY</u>			
Receipts:			
Gasoline Tax	\$ 7,118	7,600	(482)
Total Receipts	<u>7,118</u>	<u>7,600</u>	<u>(482)</u>
Expenditures:			
Salaries and Benefits	4,114	-	4,114
Professional Services	495	900	(405)
Repairs and Maintenance	922	1,722	(800)
Materials and Supplies	3,924	7,242	(3,318)
Gas and Oil	-	1,600	(1,600)
Miscellaneous	50	-	50
Total Expenditures	<u>9,505</u>	<u>11,464</u>	<u>(1,959)</u>
Receipts Over (Under) Expenditures	(2,387)		
Unencumbered Cash, January 1	15,023		
Unencumbered Cash, December 31	<u>\$ 12,636</u>		

SPECIAL PARK AND RECREATION

Receipts:			
Liquor Control Tax	\$ 2,115	130	1,985
Building Rent	50	-	50
Total Receipts	<u>2,165</u>	<u>130</u>	<u>2,035</u>
Expenditures:			
Repairs and Maintenance	1,088	130	958
Materials and Supplies	854	-	854
Miscellaneous	1,586	-	1,586
Total Expenditures	<u>3,528</u>	<u>130</u>	<u>3,398</u>
Receipts Over (Under) Expenditures	(1,363)		
Unencumbered Cash, January 1	3,595		
Unencumbered Cash, December 31	<u>\$ 2,232</u>		

CITY OF EMMETT, KANSAS

CAPITAL PROJECT FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

SEWER PROJECT*

Receipts:	<u>Actual</u>
Bond Proceeds	\$ 613,000
CDBG Grant Income	387,400
Interest Income	538
Total Receipts	<u>1,000,938</u>
Expenditures:	
Construction Costs	663,719
Engineering / Design	159,000
Administrative Services	16,427
Professional Services	4,883
Costs of Issuance	4,830
Principal Payment - Temporary Note	400,000
Interest Payment - Temporary Note	22,396
Total Expenditures	<u>1,271,255</u>
Receipts Over (Under) Expenditures	(270,317)
Unencumbered Cash, January 1	372,554
Unencumbered Cash, December 31	<u>\$ 102,237</u>

* Not Budgeted

CITY OF EMMETT, KANSAS

BUSINESS FUNDSSCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGETREGULATORY BASISFOR THE YEAR ENDED DECEMBER 31, 2010

			Variance - Over (Under)
<u>WATER UTILITY</u>	<u>Actual</u>	<u>Budget</u>	
Receipts:			
Charges for Services	\$ 35,428	54,000	(18,572)
Tower	3,974	-	3,974
Charges and Fees	698	-	698
Sales Tax	110	-	110
Interest Income	14	-	14
Total Receipts	<u>40,224</u>	<u>54,000</u>	<u>(13,776)</u>
Expenditures:			
Salaries and Benefits	8,013	14,420	(6,407)
Utilities	877	6,050	(5,173)
Insurance	918	-	918
Professional Services	164	1,500	(1,336)
Repairs and Maintenance	5,590	7,500	(1,910)
Materials and Supplies	464	5,850	(5,386)
Parts	-	4,500	(4,500)
Equipment	-	9,730	(9,730)
Tower Cleaning	-	9,000	(9,000)
Office Expenses	829	2,500	(1,671)
Lab Fees	-	700	(700)
Dues and Fees	3,499	950	2,549
Sales Tax	-	1,800	(1,800)
Miscellaneous	780	-	780
Total Expenditures	<u>21,134</u>	<u>64,500</u>	<u>(43,366)</u>
Receipts Over (Under) Expenditures	19,090		
Unencumbered Cash, January 1	<u>2,795</u>		
Unencumbered Cash, December 31	<u>\$ 21,885</u>		

CITY OF EMMETT, KANSAS

BUSINESS FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance - Over (Under)
<u>SEWER UTILITY</u>			
Receipts:			
Charges for Services	\$ 15,433	13,600	1,833
Miscellaneous Income	530	-	530
Total Receipts	<u>15,963</u>	<u>13,600</u>	<u>2,363</u>
Expenditures:			
Salaries and Benefits	5,511	3,708	1,803
Payroll Taxes	-	309	(309)
Utilities	1,041	1,900	(859)
Professional Services	420	-	420
Repairs and Maintenance	2,538	7,113	(4,575)
Materials and Supplies	-	2,800	(2,800)
Principal Payments	-	8,000	(8,000)
Equipment	-	3,000	(3,000)
Dues and Fees	92	350	(258)
Total Expenditures	<u>9,602</u>	<u>27,180</u>	<u>(17,578)</u>
Receipts Over (Under) Expenditures	6,361		
Unencumbered Cash, January 1	26,196		
Unencumbered Cash, December 31	<u>\$ 32,557</u>		

SINGLE AUDIT SECTION

CITY OF EMMETT, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities	10.760	09-1085M	\$ 419,686
U.S. Department of Housing and Urban Development			
Passed through the Kansas Department of Commerce			
Community Development Block Grants/State's Program and			
Non-Entitlement Grants in Hawaii	14.228	09-PF-831	<u>397,754</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 817,440</u>

The accompanying notes are an integral part of this schedule.

CITY OF EMMETT, KANSAS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS **FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal loan and grant activity of the City of Emmett, Kansas (City) under programs of the federal government for the year ended December 31, 2010. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in the financial position of the City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported using the accounting practices prescribed by the State of Kansas to demonstrate compliance with the regulatory basis of accounting, the same basis as the financial statement accompanying this schedule. There were no encumbrances for the sewer project involved with these awards.

NOTE 3 – OUTSTANDING BALANCE OF LOAN GUARANTEE

As of December 31, 2010 the outstanding balance of the General Obligation Bond guaranteed by the U.S. Department of Agriculture for the sewer improvement project was \$613,000.



816 N Washington
Junction City, KS 66441
(785) 238-5166
Fax (785) 238-6830

529 Humboldt, Suite 1
Manhattan, KS 66502
(785) 537-9700
Fax (785) 537-3734

505 NW 3rd, Suite 1
Abilene, KS 67410
(785) 263-2171
Fax (785) 263-3340

www.pgh-cpa.com

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Pottberg, Gassman & Hoffman, Chtd.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

To the Mayor and City Council
City of Emmett
Emmett, Kansas 66422

Report on Compliance for Each Major Federal Program

We have audited the City of Emmett, Kansas' (City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City's major federal programs for the year ended December 31, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *Kansas Municipal Audit and Accounting Guide*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Emmett, Kansas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Other Matters

The results of our auditing procedures disclosed an other instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2010-5. Our opinion on each major federal program is not modified with respect to this matter. City of Emmett, Kansas' response to the noncompliance finding identified

in our audit is described in the accompanying schedule of findings and questioned costs. City of Emmett, Kansas' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City of Emmett, Kansas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-4 and 2010-6 to be significant deficiencies. City of Emmett, Kansas' response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Emmett, Kansas' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliances is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Pottberg, Gassman & Hoffman, Chartered.

Pottberg, Gassman & Hoffman, Chartered
Manhattan, Kansas
August 11, 2015



816 N Washington
Junction City, KS 66441
(785) 238-5166
Fax (785) 238-6830

529 Humboldt, Suite 1
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Pottberg, Gassman & Hoffman, Chtd.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF A FINANCIAL STATEMENT PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Mayor and City Council
City of Emmett
Emmett, Kansas 66422

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*, the summary statement of receipts, expenditures, and unencumbered cash of the City of Emmett, Kansas (City) as of and for the year ended December 31, 2010, and the related notes to the financial statement, which collectively comprise the City's basic financial statement and have issued our report thereon dated August 11, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we considered to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2010-1, to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2010-2 and 2010-3, to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Emmett, Kansas' Response to Findings

City of Emmett, Kansas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pottberg, Gassman & Hoffman, Chtd.

Pottberg, Gassman & Hoffman, Chartered
Manhattan, Kansas
August 11, 2015

CITY OF EMMETT, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- | | | | | |
|---|---------------|-----|---------------|----|
| ▪ Significant deficiencies identified? | <u> X </u> | Yes | <u> </u> | No |
| ▪ Material weakness(es) identified? | <u> X </u> | Yes | <u> </u> | No |
| ▪ Noncompliance material to financial statements noted? | <u> </u> | Yes | <u> X </u> | No |

Federal Awards

Internal control over major programs:

- | | | | | |
|--|---------------|-----|---------------|----|
| ▪ Significant deficiencies identified? | <u> X </u> | Yes | <u> </u> | No |
| ▪ Material weakness(es) identified? | <u> </u> | Yes | <u> X </u> | No |

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

 Yes X No

Indication of major programs:

CFDA

<u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-------------------------	--

10.760	U.S. Department of Agriculture Water and Waste Disposal Systems for Rural Communities
14.228	U.S. Department of Housing and Urban Development Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk Auditee? Yes X No

CITY OF EMMETT, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS **FOR THE YEAR ENDED DECEMBER 31, 2010**

SECTION II – FINANCIAL STATEMENT FINDINGS

2010-1

- Requirement – Duties of the Mayor and Council are to provide oversight of all departments and staff of the City.
- Condition – Mayor and Council's oversight was not adequate to ensure City staff were completely and accurately performing the duties of their positions.
- Cause – Lack of segregation of duties requires that governing body oversight is essential to ensure the propriety of all of the City's transactions.
- Effect / Potential Effect – Incomplete, inaccurate, unrecorded and unauthorized expenditures occurred. Adjustments were required to record complete transactions on the City's books.
- Recommendation – Bank reconciliations should be completed monthly and reviewed for completeness and accuracy by a designated member of the governing body. All invoices should be reviewed by a member of the governing body prior to signing of the check.
- Response – Effective August 2015, we will designate to a member of the governing body the responsibility to review the monthly bank reconciliations. Procedures will be developed to assist in the review and the bank statement and bank reconciliation will be reviewed and signed-off on prior to the end of the subsequent month. In addition, the second signers on all checks will review the supporting documentation prior to signing the check. The supporting documentation will be initialed and dated to indicate review. This will supplement our review and approval of bills to be paid at each council meeting. The list of bills contains a total which is documented in the minutes upon approval.

2010-2

- Criteria – K.S.A. 79-2935 provides that it shall be unlawful for the governing body to create indebtedness in any fund in excess of the adopted budget of expenditures of such fund. For the year ended December 31, 2010, the Special Park and Recreation fund was in violation of this statute.
- Condition – Management failed to maintain complete and accurate records of expenditures and to perform a regular comparison of expenditures to budget.
- Cause – Lack of management oversight and inaccurate and incomplete recordkeeping.
- Effect – The City is in violation of the State statute.
- Recommendation – Management should ensure the bank reconciliation is completed monthly, agrees to the general ledger and is subjected to an independent review. Further, management should conduct a monthly review of actual expenditures to budget.
- Response – As part of each council meeting, a listing of revenues and expenditures compared to budget will be reviewed.

CITY OF EMMETT, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS **FOR THE YEAR ENDED DECEMBER 31, 2010**

2010-3

- **Criteria** – K.S.A. 10-1113 provides expenditures to be made in accordance with the cash basis law which requires that no indebtedness be created for a fund in excess of available monies in that fund. For the year ended December 31, 2010, the General fund was in violation of this statute.
- **Condition** – Management failed to ensure all accounts payable and encumbrances were recorded prior to year-end and to review expenditures against the budget prior to incurring or approving the expenditure.
- **Cause** – Lack of management oversight and inaccurate and incomplete recordkeeping.
- **Effect** – The City is in violation of the State statute.
- **Recommendation** – Management should review actual expenditures to budget prior to incurring or approving any expenditures.
- **Response** – As part of each council meeting, a listing of revenues and expenditures compared to budget will be reviewed.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2010-4

- **Criteria** – OMB Circular A-133 requires the audit and the data collection form and reporting package shall be submitted by the earlier date of either 30 days after receipt of the auditors' report or nine months after the end of the fiscal year end date.
- **Condition** – Management failed to complete the audit and the data collection form and reporting package within the required timeframe.
- **Cause** – Management did not follow through and obtain the audit within the required timeframe.
- **Effect** – The City is in violation of the reporting requirement.
- **Recommendation** – Management should adopt year-end procedures to prepare the financial statement for audit, and adopt a policy for financial statement review prior to annual audit.
- **Response** – In addition to adopting procedures for review of the monthly bank reconciliation, we will adopt a policy and process to review, close out, and finalize our records within two months of year end. Should an audit be required due to state statutes, federal regulations or debt requirements, we will engage an accounting firm to conduct such audit prior to year-end or as soon as possible after the audit requirement is determined at finalizing the year-end records.

2010-5

- **Criteria** – Grant Agreement No. 09-PF-831 section X. A. between the Kansas Department of Commerce (Department) and the City of Emmett, Kansas (City) states that the City shall be entitled to receive requisitioned funds from the Department only in accordance with its actual

CITY OF EMMETT, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS **FOR THE YEAR ENDED DECEMBER 31, 2010**

and immediate cash requirements and only when the total federal funds remaining on hand in the depository account does not exceed \$5,000 and is insufficient to meet immediate disbursement needs. In addition, section X C. states the City shall establish procedures to ensure that any amounts of cash in excess of the limits set forth in (A) above shall be expended within three days of receipt of the funds in the depository account.

- Condition – The City received requisitioned funds from the Department on October 27, 2010 but did not expend the funds until November 9, 2010 which exceeded the three day limit.
- Cause – Lack of management oversight to ensure the funds were expended timely.
- Effect – The City is in violation of the section X. C. of the grant agreement.
- Recommendation – Management should establish procedures to ensure all grant funds are expended timely.
- Response – Two members of the governing body will be designated to assist with administration of all grants (or loans) to ensure that all required provisions are met.

2010-6

- Criteria – Article IX Section 901 of Resolution 11-10 regarding the \$613,000 General Obligation Bonds, the City is to carry fidelity bonds on all officers and employees handling the funds and accounts in an amount not less than the total Debt Service Requirements on the Outstanding Bonds.
- Condition – The Fidelity coverage maintained by the City did not cover all officers and employees and was not for the correct dollar amount.
- Cause – A lack of management oversight of the terms of the bond.
- Effect – The City is in violation of the bond requirements.
- Recommendation – Management should adopt a process to identify and ensure compliance with all laws, regulations, and grant and loan requirements.
- Response – We will contact our insurance carrier and the USDA and ensure that we obtain the proper amount of fidelity bonds in order to be in compliance with the debt service agreement. Annually, the governing body will review the insurance coverage and approve obtaining fidelity coverage for the proper amount.

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS

NONE



816 N Washington
Junction City, KS 66441
(785) 238-5166
Fax (785) 238-6830

529 Humboldt, Suite 1
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Pottberg, Gassman & Hoffman, Chtd.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Mayor and City Council of Emmett, Kansas
Emmett, Kansas 67422

We have audited the financial statement of the City of Emmett, Kansas (City) as of and for the year ended December 31, 2010, and have issued our report thereon dated August 11, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 10, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statement. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2010. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the financial statement were:

Note 3 on Stewardship, Compliance and Accountability which states:

K.S.A. 79-2935 provides that it shall be unlawful for the governing body to create indebtedness in any fund in excess of the adopted budget of expenditures of such fund. For the year ended December 31, 2010, the Special Park and Recreation fund was in violation of this statute.

K.S.A. 10-1113 provides expenditures to be made in accordance with the cash basis law which requires that no indebtedness be created for a fund in excess of available monies in that fund. For the year ended December 31, 2010, the General Fund was in violation of this statute.

Note 10 on Subsequent Events which states:

The City has not complied in succeeding years with annual reporting requirements set forth by the United States Department of Agriculture (USDA), Rural Utilities Service Staff Instruction 1780-4. In addition, the City has not complied in succeeding years with the United States Department of Agriculture

(USDA), Rural Utilities Service Staff Instruction 1780-4 which requires records be maintained for a period of 3 years after the issuance date of the audit report or management report.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered significant difficulties in obtaining the information we needed to begin and perform the audit. Some of the records we requested were unable to be located and responses to some of our questions were slow due to the turnover in staff.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During our audit, \$174,122 of adjusting entries having an effect of decreasing fund balances by \$76,812 were recommended. These entries were made to reclassify amounts, record encumbrances and accounts payable, adjust cash to actual, record State gas tax receipts and record additional payroll payments made. An attached schedule shows the adjusting entries approved by management.

Disagreements with Management

For the purpose of this letter, a disagreement with management is a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the City's financial statement or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 11, 2015.

Other Audit Findings

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

Suspected Misappropriations During the audit, we became aware of suspected misappropriations involving a former City employee who had responsibility for the City's bookkeeping. We identified transactions during the audit, particularly within the payroll function, that were concerning. We have provided additional information concerning these findings in a separate letter dated August 11, 2015.

Supplementary Information. With respect to the supplementary information accompanying the financial statement, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with the cash basis and budget laws of the State of Kansas and the *Kansas Municipal Audit and Accounting Guide* and the information is appropriate and complete in relation to our audit of the financial statement. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statement or to the financial statement itself.

Restriction on Use

This information is intended solely for the use of the Mayor, City Council, and the Kansas Department of Administration, Office of Management Analysis and Standards and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Pottberg, Gassman & Hoffman, Chartered.

Pottberg, Gassman & Hoffman, Chartered
Abilene, Kansas
August 11, 2015